Manitoba

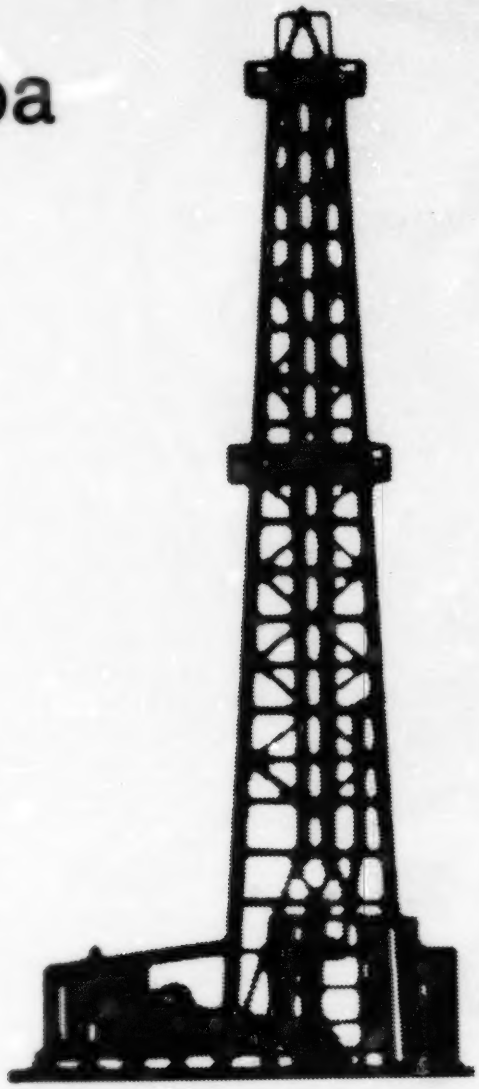
Oil

Report

Jan. 1st

to

Dec. 31th, 1983)



PETROLEUM BRANCH

MANITOBA

DEPARTMENT OF ENERGY AND MINES

MANITOBA OIL REPORT

(January 1 to December 31, 1983)

Introduction

The "Manitoba Oil Report" is a quarterly report prepared by the Manitoba Department of Energy and Mines - Petroleum Branch. As a part of the Branch's information service, the Report, is intended to provide an up-to-date synopsis of developments in Manitoba's oilpatch and highlights such as: lease sales, geophysical activity, drilling activity, production, pricing and sales, production revenues and other important issues as they relate to Manitoba's oil industry.

Drilling Activity

Not since 1957 has drilling activity in Manitoba been as high as it was in 1983. During 1983, 247 wells were drilled, compared with 195 during the same period in 1982 resulting in a 27% increase over 1982. The 247 wells were drilled for 27 different oil companies by 14 separate drilling contractors using 24 drilling rigs.

For the period ending December 31, 1983, a total 229 304 metres were drilled compared with 184 291 metres in 1982 (resulting in a 24% increase over 1982).

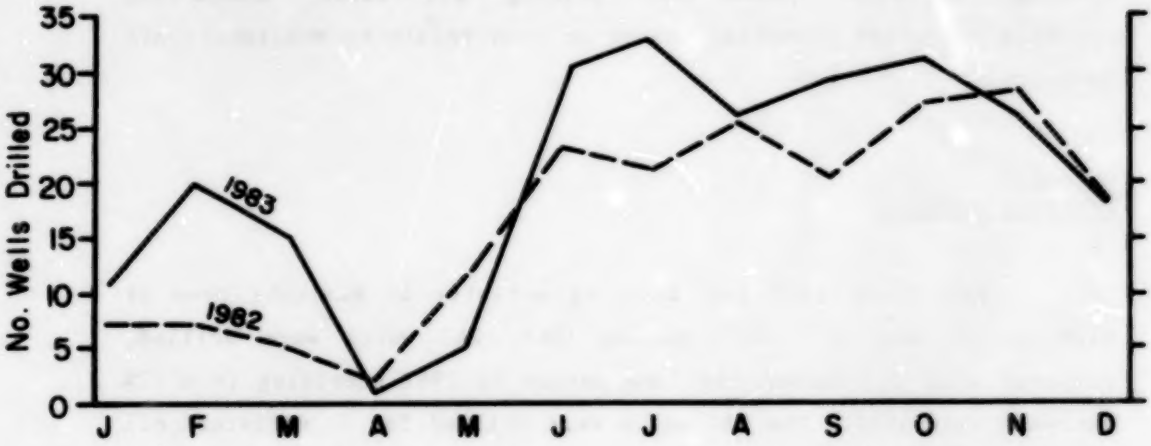
Of the 247 wells drilled in the province in 1983, 23% were classified as exploratory wells.

In 1983, 223 wells were completed as potential oil wells, resulting in a 90% success rate.

The ongoing development of the Waskada field continued to dominate the petroleum industry in Manitoba. Of all wells drilled in 1983, 56% were located in the Waskada area.

As of December 31, 1983, 284 well licenses were issued, compared with 201 in 1982.

MANITOBA DRILLING

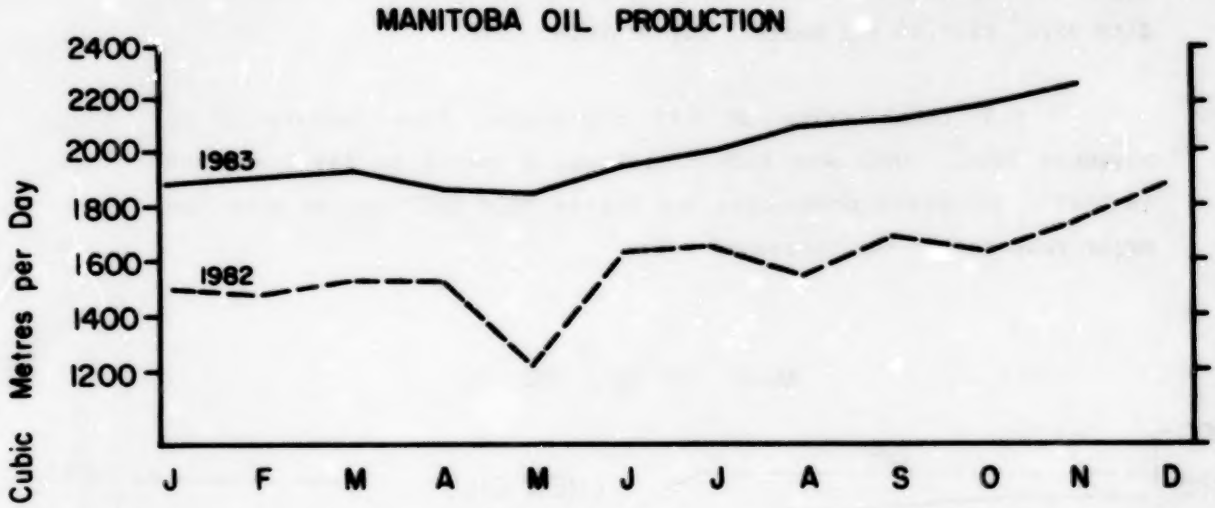


Production

Oil production from January to November* 1983 reached 670 846 m^3 representing a 28% increase over the same period in 1982.

*December 1983 figures are not yet available.

The development of the Waskada Field continues to be responsible for the major increase in production levels. The Waskada Area produced 866 m^3 of oil per day during November or approximately 38% of the provincial total compared with 392 m^3 of oil per day for the same month in 1982 (22% of the provincial total).



Geophysical Activity

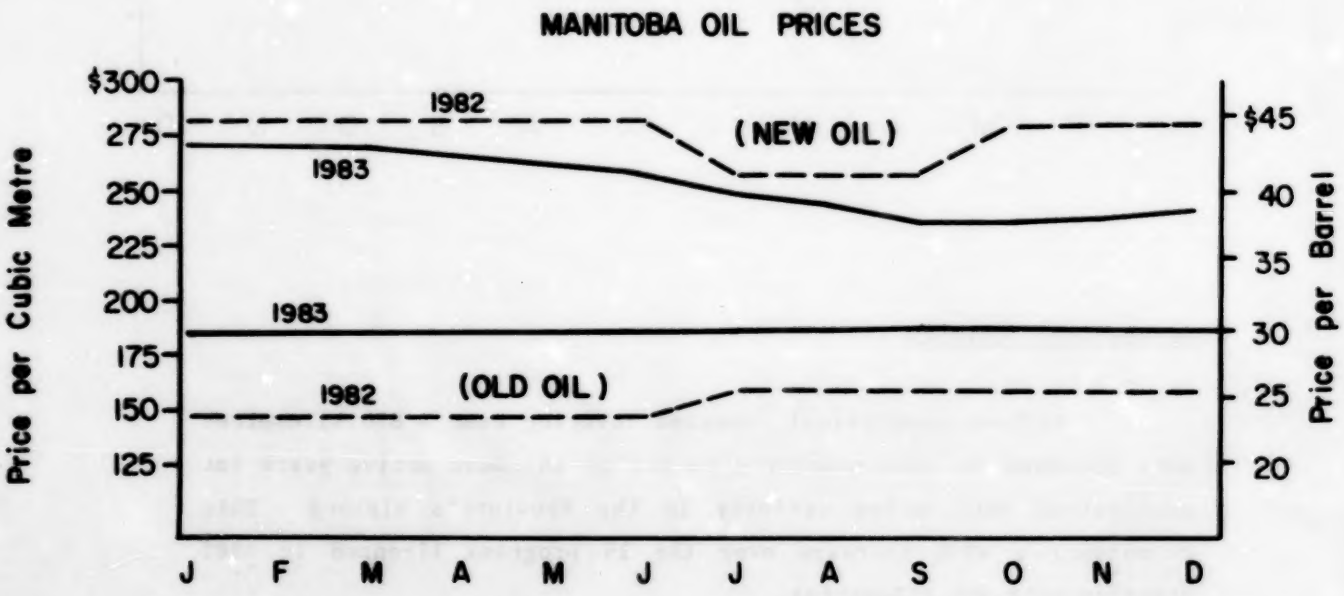
Fifteen geophysical programs covering over 5 850 kilometres were licensed in 1983 resulting in one of the most active years for geophysical exploration activity in the Province's history. This represents a 488% increase over the 19 programs licensed in 1982 covering only 996 kilometres.

The 1983 geophysical programs covered the majority of the southwestern oil producing portion of the Province.

Oil Prices and Value of Production

"New Oil" prices increased in November, 1983, for the first time since October, 1982, and continued to increase in December. Effective December 1, 1983, "New Oil" sold for $241.70/m^3 ($38.41 per barrel) compared to $275.79/m^3 ($43.85 per barrel) in December, 1982. "Old Oil" prices on the other hand remained significantly higher at $185.02/m^3 ($29.42 per barrel) compared to $160.95/m^3 ($25.59 per barrel) for December, 1982.

The total value of oil production from January 1 to November 30th*, 1983 was $128.7 million, compared to $89.3 million in 1982. Increased production and higher "Old Oil" prices were the major reasons for the increased value.



* December figures are not yet available.

Following the amended pricing agreements reached between the Government of Canada and the producing provinces, effective July 1, 1983, all wells previously qualifying for Special Old Oil prices now receive supplements equal to New Oil Reference Price Supplements.

Provincial Revenues

Crown oil royalty and freehold oil tax payments payable to the Province for production from January 1 to October, 31**, 1983 were approximately $16.1 million, an increase of approximately 25% over 1982.

Gross royalty payments to freehold mineral rights owners (owners of over 80% of producing mineral rights) for the first eleven months of 1983 are estimated to be $13.8 million, a 48% increase over the $9.3 million for the same period in 1982.

Special Highlights

- The second of two scheduled Crown Oil lease sales was held on October 12, 1983. Thirty-two parcels totalling 5 212 hectares were sold for a total of $453,688. Of this total $439,058 were collected in lease bonus payments. The highest price per hectare was $520 for a 64 hectare parcel in the St. Lazare-McCauley area with the average price per hectare for the total sale being $84.24. The Department has scheduled two more land sales for 1984, one in May and October.

** November and December figures are not yet available.

- On December 8 and 9 the Oil and Natural Gas Conservation Board conducted individual meetings with the four pipeline companies vying to build and operate a Waskada-Cromer crude oil pipeline. A decision as to the successful applicant is expected to be made during February, 1984.

- In addition to the 247 oil wells that were drilled in 1983, five potash test holes were also drilled during the year in the Russell-Binscarth area. Three of the test holes were completed in the fourth quarter of 1983.

- A third waterflood pressure maintenance project in the Waskada Field was approved by The Oil and Natural Gas Conservation Board and went into operation during December. When this project is in full operation over four sections will be subject to pressure maintenance.

- The natural gas liquids recovery plant in the Waskada Field is in the final stages of constrruction. The plant is forecast to be in operation in early 1984 and will be a first for Manitoba.

- On December 29, 1983, the Minister of Energy and Mines announced the appointment of Mr. John Saddler as the new President and Chief Executive Officer of the Manitoba Oil and Gas Corporation. Mr. Saddler was formerly President and Chief Executive Officer of the Saskatchewan Oil and Gas Corporation and previously held a management position with a major multi-national oil company. The corporation's office opened on January 3, 1984, at 870 Eaton Place, 330 Graham Avenue, Winnipeg, Manitoba. Their telephone number is (204) 943-1675.

NOTE: Final 1983 statistics and a detailed breakdown of all petroleum exploration and development activity will be available in Petroleum Branch's report entitled "Oil Activity Review 1983" expected to be available in early March 1984.